

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Post Implementation Review IFRS 9 Cover Note

Objective

- 1 The objective of this session is to discuss as part of the preparation of the EFRAG final comment letter:
 - (a) the IFRS IC decision on the TLTRO-issue, including the issues on modifications of cash flows and financial instruments with ESG features, that were identified as relevant for the PIR; and
 - (b) the IFRS IC Tentative Agenda Decision on the BACS-issue.

Background

TLTRO-issue

- 2 In June 2021, the IFRS IC published a tentative agenda decision in response to a request about accounting for the European Central Bank Targeted Longer-Term Refinancing Operations (TLTRO). These operations provide financing to banks with the objective of stimulating lending to the bank's customers. The amount that banks can borrow through the programme and the interest rate applicable to each TLTRO tranche is linked to the volume and amount of loans made to non-financial corporations and households. The submitter identified diversity in the application of the requirements in IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in relation to the accounting for TLTRO transactions by banks.
- 3 The request asked whether the TLTRO III tranches represent loans with a below-market interest rate and, if so, whether the borrowing bank is required to apply IFRS 9 or IAS 20 to account for the benefit of the below-market interest rate.

BACS-issue

- 4 The IFRS IC received a request about the recognition of cash received via an electronic transfer system as settlement for a financial asset. The request asked whether the entity can derecognise the trade receivable and recognise cash on the date the cash transfer is initiated (its reporting date), rather than on the date the cash transfer is settled (after its reporting date).

Questions

- 5 Specific questions are found in each of the agenda papers.

Agenda Papers

- 6 In addition to this cover note, agenda papers for this session are:

Post-Implementation Review of IFRS 9 – Cover Note

- (a) Agenda paper 11-02 – IFRS IC decision on TLTRO – issue;
- (b) Agenda paper 11-03 – IFRS IC decision on BACS - issue;
- (c) Agenda paper 11-04 – IFRS IC staff paper TLTRO (for background only); and
- (d) Agenda paper 11-05 – IFRS IC staff paper BACS (for background only).